

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
November 17, 2010  
REVISED**

**Project Number** CA-2010-844

**Project Name** Highlands Point Apartments  
Site Address: Ivy Hill Way  
San Ramon, CA 94582 County: Contra Costa  
Census Tract: 3551.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$344,121	\$0
Recommended:	\$344,121	\$0

**Applicant Information**

Applicant: Highlands San Ramon L.P.  
Contact: Steven L. Eggert  
Address: 1801 I Street, Suite 200  
Sacramento, CA 95811  
Phone: 916-444-9897 Fax: 916-444-9843  
Email: sle@antonllc.com

General partner(s) or principal owner(s): Pacific Housing, Inc.  
Anton Highlands, LLC  
General Partner Type: Joint Venture  
Developer: St. Anton Capital, LLC  
Investor/Consultant: Highlands Investors, LLC  
Management Agent: St. Anton Management

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 15  
Total # of Units: 293  
No. & % of Tax Credit Units: 58 20%  
Federal Set-Aside Elected: 20%/50%  
Federal Subsidy: Tax Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 58

**Information**

Housing Type: Non-Targeted  
Geographic Area: North & East Bay Region  
TCAC Project Analyst: Gina Ferguson

**Bond Information**

Issuer: Cal HFA  
 Expected Date of Issuance: December 2010  
 Credit Enhancement: Freddie Mac

**Unit Mix**

96 1-Bedroom Units  
 137 2-Bedroom Units  
 60 3-Bedroom Units  


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 293 Total Units

<b>Unit Type &amp; Number</b>	<b>2010 Rents Targeted % of Area Median Income</b>	<b>2010 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
19 1 Bedroom	50%	50%	\$847
27 2 Bedrooms	50%	50%	\$1,016
12 3 Bedrooms	50%	48%	\$1,128
3 2 Bedrooms	Manager's Units	Manager's Units	\$1,695
6 1 Bedroom	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,135
28 1 Bedroom	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,195
8 1 Bedroom	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,297
35 1 Bedroom	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,365
21 2 Bedrooms	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,554
12 2 Bedrooms	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,695
46 2 Bedrooms	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,745
28 2 Bedrooms	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,795
39 3 Bedrooms	Non-Tax Credit Units*	Non-Tax Credit Units*	\$2,045
9 3 Bedrooms	Non-Tax Credit Units*	Non-Tax Credit Units*	\$1,718

\*Affordability restricted above 60% AMI up to 120% AMI

**Project Financing**

Estimated Total Project Cost: \$57,331,423      Construction Cost Per Square Foot: \$93  
 Per Unit Cost: \$195,670

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Citi Community Capital - Tax Exempt Bonds	\$48,660,000	Citi Community Capital - Tax Exempt Bonds	\$48,660,000
Citi Community Capital	\$2,350,000	Citi Community Capital	\$2,350,000
Net operating income during lease-up	\$1,110,054	Net operating income during lease-up	\$3,130,642
Investment income	\$371,349	Investment income	\$371,349
Tax Credit Equity	\$2,340,020	Deferred Developer Fee	\$479,412
		Tax Credit Equity	\$2,340,020
		<b>TOTAL</b>	<b>\$57,331,423</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$50,605,973
130% High Cost Adjustment:	No
Applicable Fraction:	20.00%
Qualified Basis:	\$10,121,195
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$344,121
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Highlands Investors, LLC
Federal Tax Credit Factor:	\$0.68000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$50,605,973
Actual Eligible Basis:	\$50,605,973
Unadjusted Threshold Basis Limit:	\$87,076,352
Total Adjusted Threshold Basis Limit:	\$104,491,622

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses are below the minimum operating expenses established in the Regulations and a waiver has been requested. The project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** Per section 10237(g)(1) of TCAC regulations The Executive Director may, in his/her sole discretion, utilize operating expenses up to 15% less than required in this subsection for underwriting when the equity investor and the permanent lender are in place and provide evidence that they have agreed to such lesser operating expenses. The necessary information was provided and the waiver has been granted.

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of San Ramon, has completed a site review of this project and forwarded comments and concerns to TCAC staff. Highlands Point Apartments is designed with three-story walk up buildings without elevators. The project will also include optional amenities for which tenants may pay, exceeding the maximum rent limit; the applicant has excluded the cost and basis of these options from the tax credit application as required. The City of San Ramon does not support the design of three-story buildings without elevators or charging tenants beyond the maximum rent for existing project amenities, and recommends against including these project features.

**Recommendation:** Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

**Federal Tax Credits/Annual**  
**\$344,121**

**State Tax Credits/Total**  
**\$0**

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**Additional Conditions:** The applicant/owner is required to provide the tenants with afterschool programs and educational classes free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

- CRI Green-label, low-VOC carpeting and pad and low-VOC adhesives 25 grams per liter or less;
- Formaldehyde-free insulation;
- Use of at least one of the listed recycled materials at the designated levels; and
- Exceeds Title 24 energy standards by at least 10%.